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& ASSOCIATES INC. – TRUSTEES IN BANKRUPTCY

Joe Debtor: Marginalized By Debt

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Introduction

Hoyes, Michalos & Associates Inc. has provided debt restructuring services to individuals in Ontario since 1999. We are one of the largest firms in Canada practicing in the area of personal insolvency. We work exclusively with people, not corporations. Our focus is helping individuals solve their personal financial problems.

The amount of media coverage surrounding the ongoing consumer debt crisis has been relentless. Yet despite all the warnings, many Canadians still find themselves facing crippling debt. How is this possible?

It is too simple to say "People should only spend as much as they earn". For many at-risk groups, marginalized from the economic recovery or struggling due to personal circumstance, this is much easier said than done.

For many Canadians, day to day living expenses are growing faster than their incomes. Many consider credit to be their only saving grace. Individuals facing severe financial problems will do almost anything to retain their access to credit. They make every effort to maintain their minimum payments to ensure they can continue to use their credit. In fact nationally about 70% of consumer accounts are paid as agreed (are not delinquent) when a person files for bankruptcy[1]. As their balances and required payments increase, they borrow more money in order to make their credit card, car loan and mortgage payments on time. For most insolvent debtors, much of their debt is incurred not to fund spending, but to service other debt and cover ongoing interest payments.

Capitalizing on this demand for short term cash, new players and new products have entered the market, many of which offer riskier borrowing options. All of this creates a perfect storm of continued consumer debt problems for a significant portion of the population.

Our newest study shows that, no matter what their intentions may be, more at-risk individuals are being drawn into an escalating cycle of debt - to their detriment.

Methodology

As required by law, Hoyes, Michalos & Associates Inc. gathers a significant amount of information about each person that files either a consumer proposal or bankruptcy with us. We know their income, family size, age, gender, assets and debts. Every two years, we examine this data to develop a profile of the average person who files for relief from their debt (we call this person Joe Debtor). We use this information to gain insight and knowledge as to why consumer insolvencies occur.

Our current study reviewed the details of almost 6,000 personal insolvencies from 2013 and 2014. This year we dug deeper, beyond demographics, and took a hard look at the types of credit being used. In some regards, there has been very little change in the profile of the average Joe Debtor; in others, we have discovered some alarming trends.

Joe Debtor – Why Is He Going Bankrupt?

Our 2015 Joe Debtor report is based on a review of 6,000 insolvency filings from January 1, 2013 to December 31, 2014. We then compared the results of this profile with our previous report conducted in 2013[2] to identify any trends.

Joe Debtor	2013-2014	2011-2012[2]
Personal Information:		
Male	54%	57%
Female	46%	43%
Average age	44	43
Marital status		
Married/Common-law	40%	43%
Divorced or Separated	28%	28%
Widowed	2%	2%
Single	30%	27%
Average family size (including debtor)	2.2	2.3
Single person household	43%	41%
Likelihood of having dependant	43%	44%
% Lone Parent	18%	16%
Average monthly income	$2,427	$2,367
Total unsecured debt	$56,545	$57,972
Unsecured debt-to-income	194%	204%
Likelihood they own a home	24%	29%
Average mortgage value	$197,137	$208,070
Detailed Information on the amount of average unsecured debt:		
Personal loans	$19,266	$19,184
Credit cards	$20,776	$23,708
Taxes	$9,114	$6,834
Student loans	$1,849	$1,689
Other	$5,540	$6,557
Filed bankruptcy	45%	44%
Filed consumer proposal	55%	56%

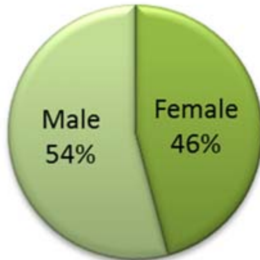
Our typical insolvent debtor is a 44 year old male, married with children. He owes on average $56,545 in unsecured debt; more than three times the average consumer credit per adult in Canada of $18,207[3].

For most debtors, the trigger for filing bankruptcy is often an unexpected life event such as job loss, illness or relationship breakdown. There has been little change in these underlying causes since we began our study in 2008. However this masks the true image of the individual that finds themselves turning to bankruptcy or a consumer proposal to deal with

excessive debt. How did Joe get there and why? To answer these questions we looked at the personal demographics of our study group, as well as their debt portfolio.

Detailed tables of our results are included towards the end of this report. The following highlights our key findings.

Joe's Personal Profile



While the average insolvent debtor is more likely to be male, the percentage of female debtors increased substantially since our last study. In 2013 only 43% of all insolvencies were filed by female debtors; in 2015 that number increased to 46%.

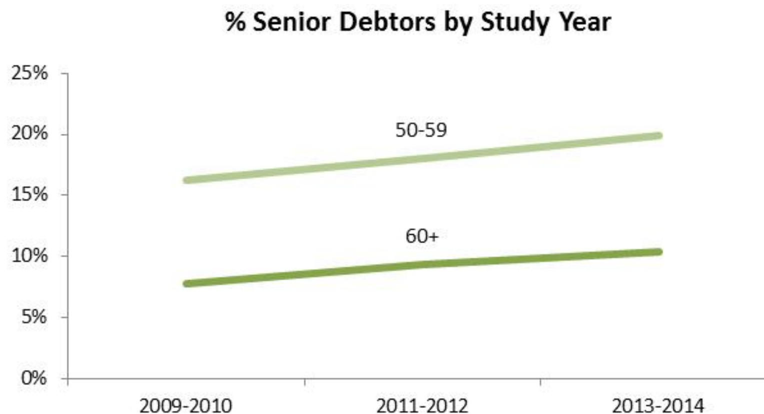
We shall see later in this report that female debtors face an elevated risk of insolvency from student loans and the difficult financial problems faced by women who, as single parents, are struggling to manage financially on their own while raising children.

Age	Distribution
18 – 29	12%
30 – 39	29%
40 – 49	28%
50 – 59	20%
60 – 69	8%
Over 70	3%

Seniors Still Fastest Growing Risk Group

On average, Joe Debtor is 44 years old; six months older than the average debtor two years ago.

While the majority of debtors are between the ages of 30 and 49, the trend towards more seniors and pre-retirement debtors filing bankruptcy continued. The share of insolvency filings for debtors aged 50 and over increased to 30% in our 2015 study, compared to 27% in 2013; and the bankruptcy rate among older debtors has maintained an upward trend since we first began our study.



At risk seniors and pre-retirement debtors have accumulated a massive unsecured debt load, the highest among all age groups. In addition, they were the only age group to report an increase in total indebtedness in 2015.

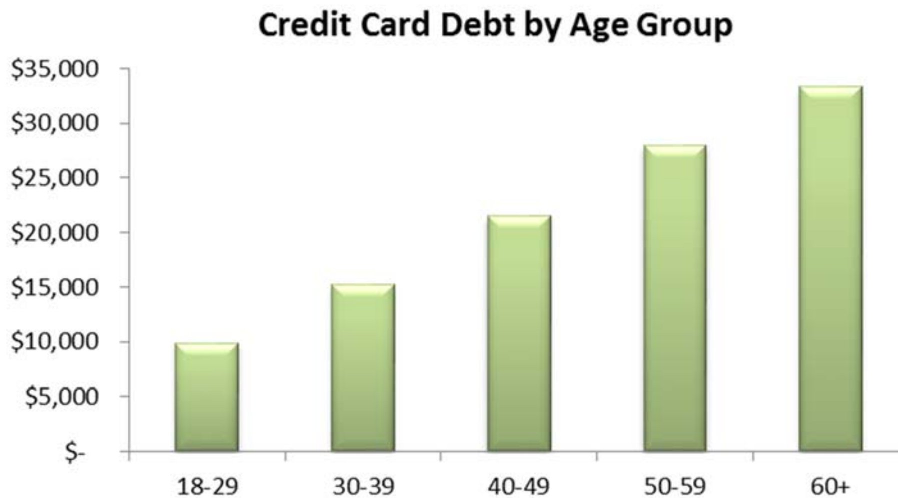
On average, debtors 50 and older carried total unsecured debt of $68,677; 1.7% higher than our previous study and 21% higher than the average Joe Debtor. Debtors over the age of 60 were the most heavily indebted of all age groups, with a total unsecured debt of $69,031. Pre-retirement debtors (those aged 50-59) saw the highest growth in unsecured debt, up 2.3%.

> ***3 in 10 insolvencies were filed by debtors 50 and older. Seniors and pre-retirement debtors were the only age groups to increase their overall debt load and experience a higher share of all insolvencies.***

In general, older Canadians are carrying debt into retirement as a result of:

- Debt accumulated over time to pay for living costs, family needs and medical bills;
- Additional borrowing to keep up with post-retirement mortgages and the financial cost of carrying unsecured debt into retirement as income drops;
- Tax obligations from extra earned income and pension withdrawals.

Almost half of their debt is credit card debt and in most cases, this debt accumulated over a number of years. This progression becomes evident as Joe Debtor's credit card debt increases for Joe Debtor as he ages.



Crippling debt does not usually appear overnight, or even over a year or two. For younger debtors, it begins with a few credit card debts to fund expenses while Joe Debtor looks for a job after graduation. Middle aged Joe adds to his debt as his family grows. In pre-retirement, Joe is faced with the financial demands of putting older children through school and dealing with potential health issues for either himself or his aging parents. All this while trying to keep up the payments against debt he has already accumulated.

Senior debtors are supporting more debt on less income than the average Joe Debtor. They may be widowed (14%), divorced (29%) or living on a fixed income. More than half (53%) of seniors live in a single person household, second only to 18-29 year olds at 57%. And

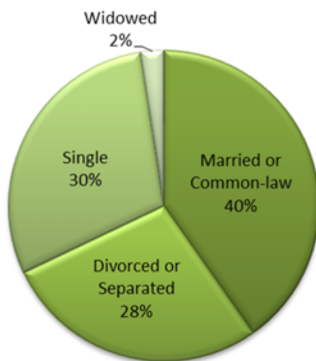
over 53% of seniors are retired, although more indebted seniors reported they continued to work (39%) than in our previous study (36%). This may account for the increase in average income for seniors since our last review. At $2,215 their average income increased 6% from two years ago; although it remained below that of the average Joe Debtor at $2,427.

Most seniors have a firm desire to repay their debts and they will go to almost any length to keep up with their bill payments. In addition to increasing credit card debt, our data also revealed an alarming increase in the number of seniors turning to payday loans as a way to pay the bills once their credit cards max out.

Almost one in ten seniors (9%) over the age of 60 owed at least one payday loan at the time of their insolvency. While this rate is the lowest among all the age groups, seniors had the highest payday loan debt on average at $3,693; and the most average number of payday loans outstanding at 3.7. Senior debtors with a payday loan owed more than 1.7 times their take-home pay at the time of their insolvency.

Payday loan companies make it easy for seniors to take out a loan as they will lend against pension income, including ODSP, CPP or a company pension. With a stable income source and a propensity to want to repay their debt, seniors are both a growing, and vulnerable, group of borrowers. We will address more concerns around payday loans later in our study.

More Lone Parents Getting By On Credit



Joe is most likely to be married (40% of all debtors were married or living common-law), however, he has a higher than average chance of being divorced or separated at the time of filing. Divorce continues to be a leading risk factor for filing insolvency. Almost one in five debtors listed marital issues as an underlying cause of their debt problems.

Families make up 57% percent of all insolvent debtors, with an average household size of 3.1 people (including the debtor).

Household Size	Distribution
1	43%
2	23%
3	15%
4	12%
5	5%
6 or more	2%

While more likely to be married with children, 18% of all insolvent debtors are lone parents (either divorced or single), an increase from 16% two years earlier.

With an average family size of 2.7, lone parents are second only to married couples with an average family size of 3.3.

Almost 1 in 5 insolvent debtors were lone parents of which 75% are female. More lone parents become heavily-indebted as they struggle to make ends meet on a lower than average household income.

Primarily working, lone parents are taking out loans to pay for the ordinary costs of raising a family on a single income. In fact, while 86% of lone parents were employed, their average

household income, at $2,930, is 4% below that of the average debtor. Furthermore, our study also showed that three out of four lone parents who became insolvent were female.

Lone parents' financial problems begin primarily with instalment debt. While they do carry credit card debt, on average credit cards make up only 30% of their overall unsecured debt, compared to 37% for the average debtor. Instead they are struggling to maintain fixed repayment debt like car loans and student loans. Currently, 40% of lone parents have a secured car loan (compared to 37% of all debtors) and 19% carry a student loan (compared to 13% of all debtors). They are also more likely to have debt in collections than other debtors.

Fixed Income A Bigger Problem Than No Income

Income	Debtor	Household
$NIL	2%	1%
$1 - $1,000	8%	5%
$1,001 - $2,000	27%	20%
$2,001 - $3,000	36%	30%
$3,001 - $4,000	18%	20%
$4,000 +	9%	24%

Joe Debtor has a job, with a take-home pay of $2,427 a month. The economic recovery in Ontario has meant that unemployment has become less of a factor in insolvencies during the past two years. Only 6% of insolvent debtors were unemployed at the time of filing, down from 8%, while those working remained steady at 81%.

However, once again the percentage of insolvent debtors on disability leave or retired increased, reaching 10% of all insolvent debtors. This is more evidence that it is the at-risk Canadian who is being marginalized further by overuse of credit as a way to make ends meet.

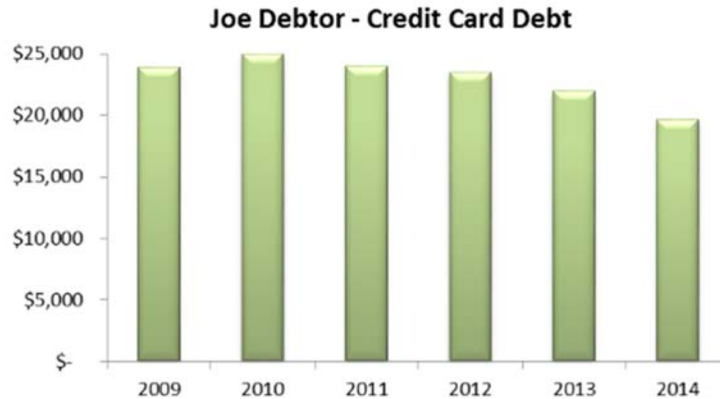
1 in 10 insolvent debtors were on a fixed income. Debtors on a fixed income due to retirement or disability are marginalized further by overuse of credit in order to make ends meet.

Employment Status	2013-2014	2011-2012[1]
Employed	81%	81%
Unemployed	6%	8%
Retired	6%	6%
Disability	4%	3%
Other	3%	2%

Joe's Debt Portfolio

The good news is that Joe Debtor's total unsecured debt load fell over the past two years. At $56,545 his overall debt load declined 2%.

Our study revealed a rather dramatic drop in credit card debt for insolvent debtors. The average owing on credit cards fell for the third consecutive study to $20,776, down 12% from two years ago. In fact, overall credit card debt for insolvent debtors has been declining steadily since 2010.



This has led to fewer insolvencies driven largely by credit card debt. In our 2013 study, 43% of debtors had credit card debts amounting to more than 50% of their total unsecured debt. This ratio dropped to 38% in 2015. Furthermore, the average number of credit cards fell to 3.7, down from 3.9.

Outstanding credit card indebtedness fell 12% while mortgage debt declined 5%. Consumers may reducing or managing traditional debt products like credit card debt and mortgage debt, resulting in fewer credit card and high-ratio mortgage driven insolvencies.

The possible reasons for the decline in credit card debt levels for insolvent debtors are two-fold. Consumers in general may have reduced their over-reliance on high cost credit card debt. Many have shifted their debt portfolio to lower interest-rate options including instalment loans and lines of credit, reducing their carrying costs and thus their bankruptcy risk, at least for now. However traditional lenders have also been tightening up on available credit for high risk borrowers. As we shall see shortly, this has led to an increased use in subprime debt options among those struggling financially.

High-risk mortgage indebtedness also improved slightly. Increasing housing values, combined with some Canadians paying down larger mortgages, has resulted in fewer insolvencies caused by high-ratio mortgages. In addition, more homeowners are using their higher equity to settle unsecured debts through a consumer proposal. The average mortgage for homeowners fell to $197,137, down 5% from our previous study. In addition, the average encumbrance rate fell to 90% from 92%.

Payday Loans A Growing Concern

Unfortunately, all of this good news is offset by an alarming increase in the use of high interest subprime debt by many insolvent debtors as a way to make their minimum payments. Individuals with poor credit are increasingly turning to payday and new quick cash loans as a form of revolving credit to make ends meet and this has become a leading indicator of insolvencies today. Debtors experiencing cash shortfalls due to severe financial problems are borrowing money from payday lenders to make their minimum payments on

their credit cards, and then are forced to turn to more payday lenders to pay off their existing payday loan.

Almost 2 in 10 debtors carried a payday loan. Payday and quick cash loans are becoming an increased source of revolving credit and are a leading driver of insolvencies in Ontario today.

Insolvencies due to excessive use of payday and fast cash style loans are increasing. The percentage of debtors with at least one payday loan increased to 18% compared to 12% two years ago. For those using payday loans, the average total payday loan debt increased 12% to $2,749, an amount that equaled 113% of their monthly take-home pay.

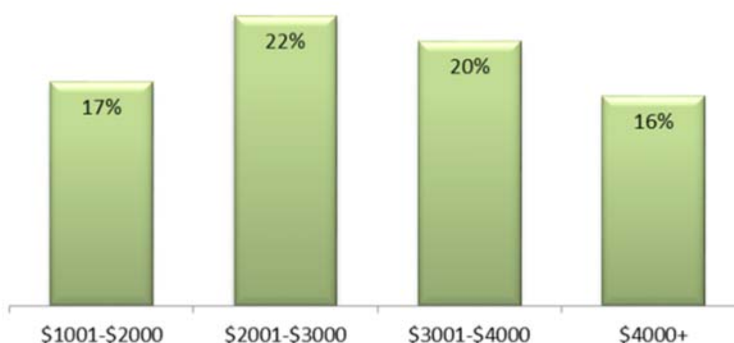
Payday Loans	2013-2014	2011-2012
% of debtors	18%	12%
Total loan debt	$2,749	$2,463
Average loan size	$794	$743
Number of loans	3.5	3.3

Not all payday loan companies perform credit checks and today most are not reporting information to the national credit bureaus. This makes it easy for borrowers to obtain multiple loans from several payday loan lenders or to access other credit while simultaneously using payday loans. In addition, new 'quick loans' are being offered online and individuals looking to solve a short term cash flow problem are increasingly turning to these easier to reach alternatives.

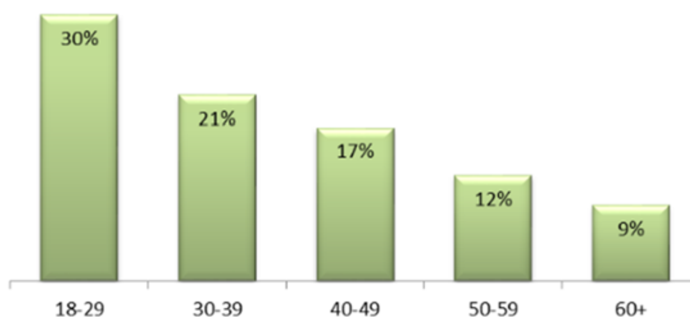
The average size of a single payday loan increased to $794 from $743 and the average number of payday loans outstanding increased to 3.5 from 3.3. One in four debtors with payday loans had five or more payday loans outstanding; with one debtor having a staggering 35 loans at the time of insolvency.

Payday and cash loans are used as a substitute for credit card debt in order to balance expenses for those with less access to other forms of credit. The average payday borrower had only $7,195 in credit card debt compared to $20,776 for Joe Debtor. His total unsecured debt amounted to $35,799, significantly below Joe Debtor's average debt of $56,545. Yet the payday loan borrower earns just over 6% more than Joe Debtor. This is evidence that it is not only the amount of debt outstanding that leads to bankruptcy, but also the type of credit used.

Contrary to other studies that payday loans are used primarily by low income Canadians, our study shows that payday and quick cash loans are used to excess primarily by middle income earners. The average income for a debtor with a payday loan was $2,577, compared to $2,427 for all debtors and payday loans were as likely to be used by debtors with an income over $4,000 as those with an income between $1,001 and $2,000.



Younger debtors are much more likely to misuse payday and quick cash loans, which may be driven by new online access. However, their average loan size is smaller, relative to their lower than average income.

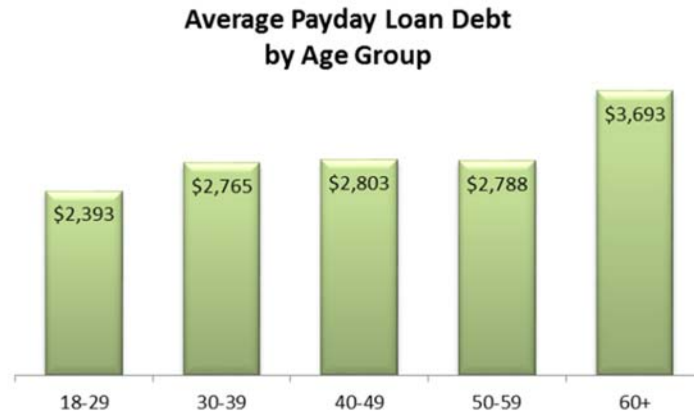


As noted earlier in our report, we are particularly concerned about the trend towards seniors' use of payday loans. While seniors over the age of 60 account for only 9% of all payday borrowers, they owe the largest debt for payday loans at $3,693; seniors also have the highest number of payday loans outstanding at 3.7.

Seniors are turning to sub-prime debt options, including payday loans, to make ends meet on a fixed and reduced income and this is leading to an increasing percentage of senior Canadians filing insolvency.

Most payday loan companies will loan against CPP and private pensions as they are a stable source of income. More than six in ten seniors with a payday loan (62%) were in fact retired

and surprisingly, 35% of all senior payday loan borrowers in our study were over the age of 70.



Fast & Easy Instalment Loans Jump 5 Fold

We have also noticed a significant increase in the use of fast and easy, low credit instalment loans since our last study. These loans differ from payday loans in that they are typically repayable over a longer period of time, with regular monthly payments.

To estimate the impact of these types of loans on consumer insolvencies we identified the three largest lenders offering these types of loans as our indicator. Almost 5% of insolvencies included at least one of the three high cost instalment loans we identified as a measure of this risk, up from just 1% two years earlier. The average easy loan increased to $3,608 from $2,199.

> ***The prevalence of fast and easy instalment loans has increased 5 fold since our last study. Most insolvent debtors are using these types of loans in addition to, rather than in replacement of, payday loans.***

Lenders promote these loans to individuals who need access to funds quickly for expenses like a car purchase or home repair. Proponents promote them as a fast and fairer alternative to payday loans and it is true that these types of instalment loans are primarily used by the same people who turn to payday loans. In fact, 78% of those with one of our identified easy instalment creditor loans also carried at least one payday loan. This leads to the concern that quick and easy instalment loans are not an alternative to payday loans, but rather are one more source of cash for financially struggling individuals attempting to hold out a little while longer.

Vehicle Loan Bankruptcy Risk Rises Moderately

Auto loans in Canada are increasing at an average rate of 5.8% a year[4]. While we do not have data on the term and types of vehicle financing used by insolvent debtors, we are

concerned that the trend towards longer terms and loan rollovers is increasingly contributing to the number of insolvencies in Ontario.

While a car loan or lease on its own may not be significant enough to cause Joe Debtor to become insolvent, higher monthly payments and repair costs do cause cash flow problems. Rather than risk repossession, Joe Debtor turns to other forms of debt – credit cards and payday or fast cash loans – to meet his monthly loan or lease payment.

We found that 46% of all vehicles listed by debtors were encumbered, up from 43% in our previous study. In total, 37% of all estates listed an encumbered vehicle.

> ***Almost half of all vehicles listed by debtors were encumbered with the average encumbrance equal to 89% of the car value. Longer term and higher cost car loans and loan rollovers create cash flow problems handled with additional unsecured debt and increase the risk of bankruptcy for heavily indebted individuals.***

Insolvent debtors were significantly more in debt due to vehicle financing than in our previous study. The average secured vehicle loan increased by 12% to $11,358 and, on average, vehicles are 89% financed at the time of insolvency. Comparatively, the average value of an unencumbered vehicle increased by only 2%. In addition, the ratio of secured vehicle debt to unsecured debt increased to 20% in 2015 from 17%.

As a reminder, debts to secured car loans and leases are not included in a bankruptcy or consumer proposal. Debtors can continue with their finance obligations if they are able to keep up with their monthly payments after filing or may surrender the vehicle enabling them to eliminate any unsecured shortfall in their insolvency proceeding.

Unsteady Income Leading To Tax Debt

Tax debts can include HST, source deductions or personal income taxes owing to the Canada Revenue Agency as well as property taxes. Individuals may postpone instalment payments or property tax payments during times of financial difficulty, or may incur additional tax liabilities due to extra earned income or RRSP withdrawals. As insolvent debtors clearly experience a cash flow shortfall during the months or years leading up to their insolvency, it is not unexpected that many will owe money in taxes. In fact, 42% of all insolvent debtors have tax debts. Those who do, owed an average of $21,907, up from $18,166.

We have found that the largest tax debt obligations were owed by self-employed debtors and those over the age of 50.

Self-employed and small business owners owe on average $33,767 in tax debts including income tax and HST. These debts arise after the failure to make instalment payments, often during times when cash flow is short from operations.

> ***4 in 10 insolvent debtors carry a tax debt and the average outstanding tax liability increased 21%. The percentage of tax-driven insolvencies involving self-employed debtors and seniors continues to increase.***

Moreover, most self-employed debtors are male (68%). On balance, most are still working (96% report being employed or in business), but report income 12% below that of the average Joe Debtor. Although these tax debts are business related, if the individual is not incorporated, they are considered personal debts and can be included in either a consumer proposal or bankruptcy. In 2015, 12% of all insolvencies were filed by self-employed debtors, up from 10% in 2013.

Seniors also owe a higher than average tax debt, even excluding seniors who were self-employed. It is not unusual for pensioners to find themselves owing money for the first time as a result of extra part-time income and RRSP withdrawals, combined with the fact that their pension did not have enough tax withheld at source.

Women More Likely To Struggle with Student Debt Repayment

While the percentage of debtors carrying a student loan increased only slightly since our last study, their average student loan debt continued to grow.

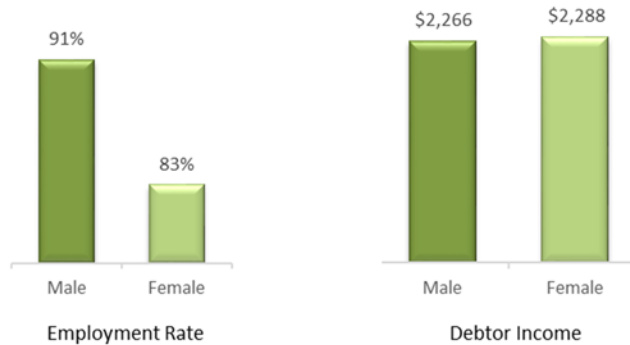
Just over 13% of insolvent debtors had a student loan at the time of insolvency, with an average balance owing of $13,818, up 4.3%.

As in prior years, insolvent student debtors are much more likely to be female. In fact, 60% of student loan debtors are female, but what is more concerning is that female student debtors (Jane Student) are likely to owe much more money than male student debtors (Joe Student) at the time of their insolvency. On average Jane Student owed $14,748 – 19% more than her male counterpart.

Jane's student debts amounted to one-third of her total unsecured debts, compared to just 23% for Joe Student. From this we can confirm that, for the average female student debtor, it is student loans that are the primary financial problem causing them to file for insolvency.

> ***6 in 10 student debtors are female. Unstable employment delays student loan repayment for female student debtors, increasing the risk that they will need to file for insolvency.***

Interestingly, both male and female student debtors earned a similar income in our 2015 study. Jane Student earned on average $2,288, just slightly higher than $2,266 for Joe Student. However, both earned less than the average Joe Debtor. In general, it is the inability to find employment at a pay level sufficient to repay increasing student loan debt that is contributing to student debt insolvencies in Ontario, and this is true for both male and female graduates.



However, Jane Student has an added burden. She is much more likely than Joe Student to be unemployed or out of work for other reasons including maternity leave. In our 2015 study, more than 91% of male student debtors were employed. This contrasts with only 83% of female students working at the time of their insolvency. This lack of stable employment makes it increasingly difficult for her to support her student loan payments, or pay down her debt sooner. That may explain why her overall student debts are higher than Joe Student's at the time of insolvency, even though they are roughly the same age and earn about the same income.

Marginalized By Higher Than Average Debt Servicing Costs

Low interest rates have continued to keep debt servicing costs affordable for most Canadians. Unfortunately those who are deep in debt have poor credit and are all too often choosing high cost lending products.

The typical insolvent debtor is paying a blended rate of 19% or more per year on all of their debt:

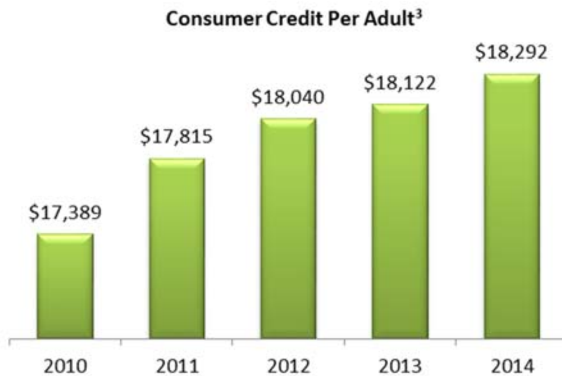
Joe Debtor	Debt	Interest Rate
Payday loans	$499	548%
Fast instalment loans	$163	59%
Other personal loans	$18,604	10%
Credit card debt	$20,776	19%
Taxes	$9,114	5%
Student loans	$1,849	10%
Other debts	$5,540	25%
Blended rate	$56,545	19%

This means that Joe Debtor is spending roughly $889 a month on interest, an amount equivalent to almost 37% of his take-home pay.

High interest costs relative to income make it difficult to keep up with monthly payments and are one reason many people take on even more debt. A payday loan becomes a perceived necessity to pay the rent or mortgage at the end of the month when Joe Debtor has used up most of his pay making minimum payments.

This begins a downward spiral of not only additional debt, but also higher debt servicing costs. Our average payday loan debtor is paying a blended debt servicing cost of more than 56% on his total unsecured debt of $35,799, or almost $1,700 a month. That is the primary reason why the average payday lender owes a total of 3.5 payday loans and can easily accumulate double digit loans.

Consumer Credit & Insolvencies – What's Ahead

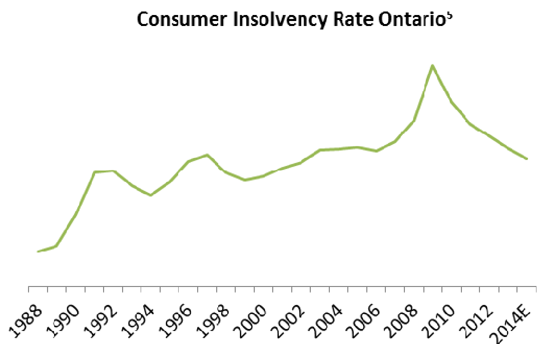


While the pace of growth may have slowed since our previous study, consumer credit is still on the rise in Canada. However, low interest rates have made the cost to carry this debt, for the most part, affordable. For Canadians not reliant on high cost credit options and not over-extended on their mortgage and earning a stable income, their debt is largely manageable.

This is why we have seen a significant drop in the overall insolvency rate in Ontario since peaking in 2009. In fact, Ontario consumer files dropped 7% in both 2013 and 2014, the years of our study.

So technically, less people are finding themselves insolvent. The insolvency rate in Ontario has been on the decline since peaking at 6.6 per 1000 persons 18+ in 2009[5]. In 2013 the rate was 4.1, and it is likely that the 2014 rate will be around 3.8 per 1000 adults.

It is our expectation, however, that these numbers will not fall to the lows seen during previous economic cycles for several reasons:



1. The core insolvency rate is being driven by at-risk households who are not just indebted, but are heavily indebted. A recent report by the Bank of Canada[6] stated that about 12% of families have debts greater than 250% of disposable income. These are the same at-risk debtors we see every day, and as we've seen in our study results, their risk factors in terms of credit availability and cash flow pressures are increasing.
2. Interest rates may be at historical lows, allowing more Canadians to focus on principal repayment, however, at some point this protection is likely to disappear. Rates will increase, and for some, even a small increase will become a problem.

3. Debt service costs may be low for the average debtor, but for those without access to good credit, debt servicing costs remain an issue. The increased use of high-risk, high-cost credit options like payday loans, fast and easy instalment loans and car loan rollovers results in an even higher cost of debt than credit card debt.
4. Consumer proposals have now reached a critical mass, enough to make a significant impact going forward. While bankruptcies have fallen continuously since 2009, consumer proposals have been on the rise. In Ontario, over 50% of all insolvency filings are now consumer proposals. The benefit of a consumer proposal over other debt relief alternatives for those severely burdened with debt, will continue to make this an attractive option to deal with debt.

Looking forward, it is likely that the insolvency rate will stabilize, if not increase slightly, in the short term. However, when the next recession arrives, we firmly expect that the insolvency rate will peak even higher than it did in 2009.

We began this study with a comment regarding the proliferation of consumer debt warnings in the media. Canadians have to some extent chosen to tune out the message – perhaps under the impression that debt advisors like ourselves and the media are too quick to claim that the sky is falling. We can see from our study results however, that much of the cautionary concern around the growth in car loans, student debt and sub-prime debt options are today's leading drivers of over-indebtedness, and, of insolvency rates.

Data Table 1: Joe Debtor Profile – By Age Group

Comparison of Debtors By Age Group	18-29	30-39	40-49	50-59	60+
% of all debtors	12%	29%	28%	20%	10%
Personal Information:					
Male	50%	52%	57%	55%	58%
Female	50%	48%	43%	45%	42%
Average age	26	35	44	54	67
Marital status					
Married/Common-law	28%	42%	41%	42%	45%
Divorced or Separated	10%	24%	34%	36%	29%
Widowed	0%	0%	1%	3%	14%
Single	62%	34%	24%	19%	12%
Average family size	1.9	2.6	2.5	1.9	1.5
Single person household	57%	37%	36%	48%	53%
Likelihood of having dependant	35%	57%	56%	29%	7%
% Lone Parent	17%	22%	25%	11%	3%
Average monthly income	$1,996	$2,453	$2,656	$2,436	$2,215
Total unsecured debt	$32,229	$49,437	$61,358	$68,493	$69,031
Unsecured debt-to-income	135%	168%	193%	234%	260%
Likelihood they own a home	10%	21%	30%	31%	25%
Average mortgage value	$166,146	$197,007	$207,295	$199,622	$172,174
Detailed Information on the amount of average unsecured debt:					
Personal Loans	$11,481	$18,288	$21,432	$21,945	$20,096
Credit Cards	$9,858	$15,245	$21,491	$28,006	$33,355
Taxes	$3,030	$6,579	$10,765	$12,401	$12,571
Student Loans	$3,716	$3,023	$1,448	$458	$120
Other	$4,144	$6,302	$6,222	$5,683	$2,889
Filed bankruptcy	54%	44%	41%	42%	51%
Filed consumer proposal	46%	56%	59%	58%	49%

Data Table 2: Joe Debtor Profile – By Risk Group

Comparison of Debtors By Risk Group					
	Male	Female	Student Debtor	Self-Employed	Lone-Parent
% of all debtors	54%	46%	13%	12%	18%
Personal Information:					
Male			40%	68%	25%
Female			60%	32%	75%
Average age	44	43	36	45	40
Marital status					
Married/Common-law	48%	31%	33%	45%	5%
Divorced or Separated	24%	33%	21%	26%	62%
Widowed	1%	4%	1%	1%	3%
Single	27%	32%	45%	28%	30%
Average family size	2.2	2.2	2.3	2.2	2.7
Single person household	45%	40%	43%	43%	5%
Likelihood of having dependant	38%	49%	49%	42%	100%
% Lone Parent	8%	30%	25%	15%	100%
Average monthly income	$2,546	$2,287	$2,279	$2,147	$2,869
Total unsecured debt	$66,463	$44,829	$48,414	$94,247	$52,928
Unsecured debt-to-income	218%	163%	177%	366%	154%
Likelihood they own a home	27%	21%	13%	23%	20%
Average mortgage value	$200,573	$191,775	$178,252	$217,714	$183,137
Detailed Information on the amount of average unsecured debt:					
Personal Loans	$22,501	$15,445	$12,463	$21,276	$19,445
Credit Cards	$23,355	$17,729	$12,208	$28,552	$16,006
Taxes	$13,327	$4,138	$4,366	$33,767	$7,452
Student Loans	$1,234	$2,577	$13,818	$1,412	$2,678
Other	$6,046	$4,940	$5,559	$9,240	$7,347
Filed bankruptcy	42%	48%	52%	52%	54%
Filed consumer proposal	58%	52%	48%	48%	46%

Data Table 3: Joe Debtor Profile – By Income Group

Comparison of Debtors By Income Group					
	<=$1,000*	$1,001-$2,000	$2,001-$3,000	$3,001-$4,000	$4,001+
% of all debtors	10%	27%	36%	18%	9%
Personal Information:					
Male	53%	48%	55%	57%	69%
Female	47%	52%	45%	43%	31%
Average age	42	44	43	44	45
Marital status					
Married/Common-law	48%	37%	38%	41%	51%
Divorced or Separated	18%	25%	28%	35%	34%
Widowed	2%	3%	2%	3%	1%
Single	32%	35%	32%	21%	14%
Average family size	2.1	1.9	2.1	2.6	2.9
Single person household	48%	54%	45%	29%	25%
Likelihood of having dependant	33%	31%	43%	59%	62%
% Lone Parent	7%	11%	19%	30%	26%
Average monthly income	$464	$1,595	$2,495	$3,441	$4,912
Total unsecured debt	$63,140	$51,370	$46,776	$58,729	$100,479
Unsecured debt-to-income	1134%	268%	156%	142%	170%
Likelihood they own a home	16%	15%	24%	35%	44%
Average mortgage value	$197,041	$172,603	$181,177	$197,229	$258,264
Detailed Information on the amount of average unsecured debt:					
Personal Loans	$21,015	$15,715	$16,334	$21,897	$34,975
Credit Cards	$23,270	$18,920	$18,154	$22,264	$31,413
Taxes	$12,464	$8,262	$5,766	$7,725	$24,336
Student Loans	$1,663	$2,123	$1,900	$1,761	$1,180
Other	$4,728	$6,350	$4,622	$5,082	$8,575
Filed bankruptcy	80%	64%	34%	27%	26%
Filed consumer proposal	20%	36%	66%	73%	74%

*Statistics for debtors with personal income below $1,000 include debtors who were unemployed at the time of filing and do not necessarily match their income profile when they became indebted.

References

1. Equifax Canada: http://rmanet.itoolpro.com/images/BNI%202%200%20-%20Customer%20Handbook.pdf
2. Our 2013 study has been restated to reclassify certain debts for consistency and to remove primarily business debt insolvencies to improve comparisons.
3. Statistics Canada: Consumer Credit, Seasonally Adjusted (Table 176-0032) calculated on a per adult 18+ basis based on Population (Table 051-0001). Average for 2013-2014.
4. Canadian Consumer Credit Trends, Q4 2014: Equifax Analytical Services
5. Office of the Superintendent of Bankruptcy Canada: Annual Insolvency Rates
6. Bank of Canada Financial System Review, December 2014.